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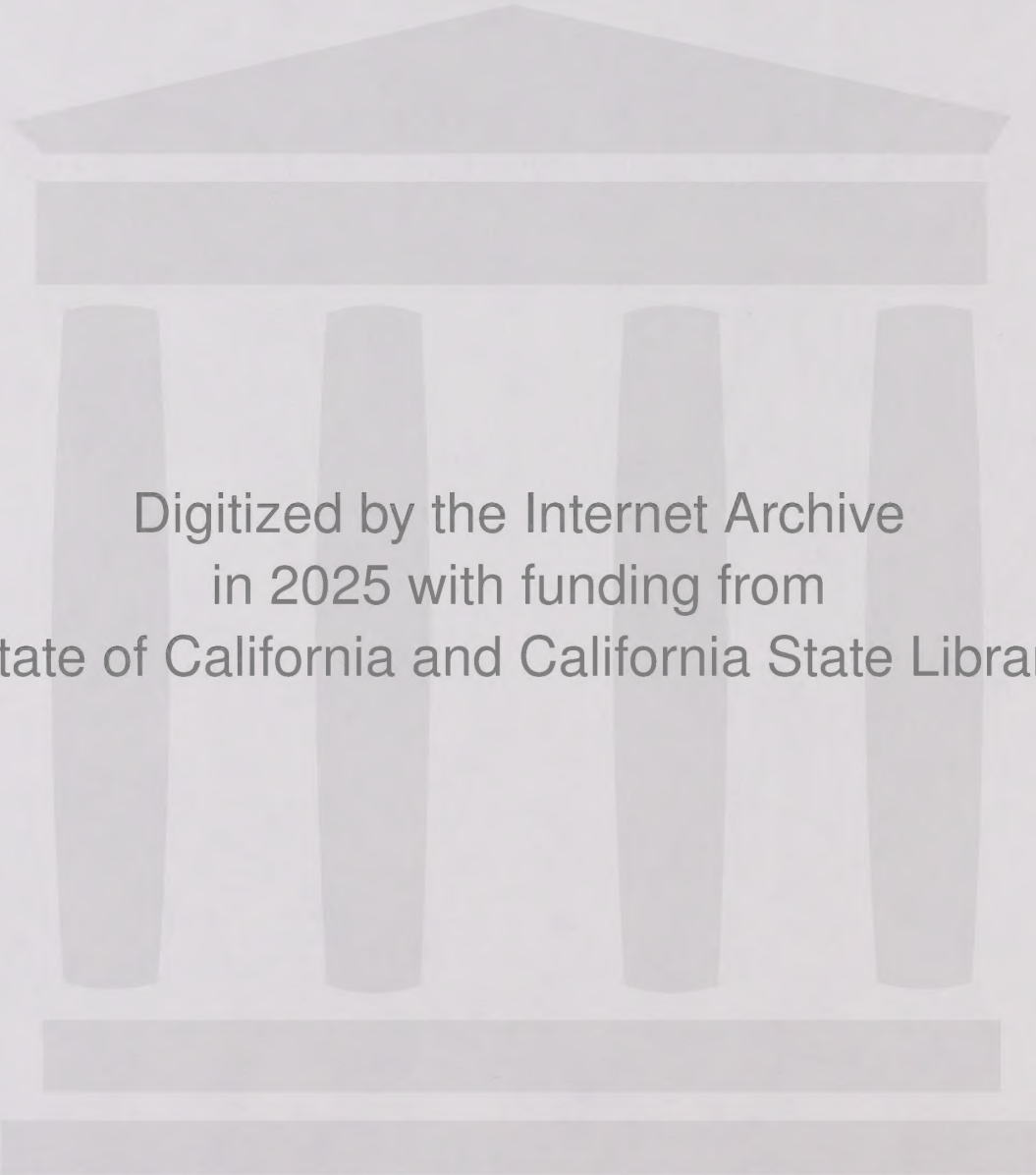
# HOUSING ELEMENT AMENDMENT

## ANALYSIS OF HOUSING UNITS AT RISK OF CONVERTING TO NON-LOW-INCOME HOUSING USES

—progress report #2—

CITY OF AZUSA

December 1992



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## INTRODUCTION

On October 27, 1990, the United States Congress passed legislation that assists in the protection of converting assisted housing units to market rate housing. This legislation aids in keeping these units affordable during their useful life as dwelling units. As a result of this legislation, the possibility of increased housing costs and massive tenant displacement has been greatly reduced. However, the potential of conversion among some units still exists.

Since many of these units were financed under programs administered by the U.S. Department of Housing and Urban Development during the last 25 years, it has been feared that these low interest loans may be prepaid, and the units converted to market rate housing. If this occurs, these units will be lost from the low-income rental market. In passing the legislation, entitled "The Low Income Housing Preservation and Resident Homeownership Act of 1990" (LIHPHA), Congress imposed strict prepayment restrictions and challenged local governments to play a central role in preservation efforts. Congress authorized new financing, creating opportunities and responsibilities for local governments to play a central role in preservation efforts. In so doing, Congress created opportunities and responsibilities for local governments, non-profit organizations and tenant groups to purchase and operate these projects in an effort to maintain the units as affordable.

Chapter 1451, Statutes of 1989, amended Section 65583 of the California Government Code to require analysis and program efforts for preserving assisted housing developments by July 1992. The following components are required to be included in a housing element:

- Inventory of units at risk of losing use restrictions.
- Cost analysis of preserving at-risk units versus replacing them.
- Non-profit entities capable of acquiring and managing at-risk projects.
- Potential preservation financing sources.
- Number of at-risk projects/units to be preserved.
- Efforts to preserve units at risk of losing use restrictions.

In addition to the City's responsibility to comply with Chapter 1451, this Housing Element Amendment is intended as an informational document to assist current owners of assisted housing projects, and their tenants, in understanding the complex regulations affecting the preservation of at-risk housing developments. Potential housing developers may utilize this information to assist in the development proposals for new assisted housing projects. In this regard, this document provides insight into the variety and availability of programs, and assists potential developers in assessing the economic feasibility of such housing projects.

## LEGISLATIVE REQUIREMENTS

A housing element's assessment of housing needs was expanded by the new legislation. According to Section 65583(a)(8) of the Government Code:

"An analysis of existing assisted housing developments that are eligible to change to non-low-income housing uses during the next 10 years due to termination of subsidy contracts, mortgage prepayment, or expiration of use restrictions. "Assisted housing developments", for the purpose of this section, shall mean multi-family rental housing that receives governmental assistance under federal programs listed in subdivision (a) of Section 65863.10, state and local multi-family revenue bond programs, local redevelopment programs, the federal Community Development Block Grant Program, or local in-lieu fees. "Assisted housing developments" shall also include multi-family rental units that were developed pursuant to a local inclusionary housing program or used to qualify for a density bonus pursuant to Section 65916.

(A) The analysis shall include a listing of each development by project name and address, the type of governmental assistance received, the earliest possible date of change from low-income use and the total number of elderly and non-elderly units that could be lost from the locality's low-income housing stock in each year during the 10-year period. For purposes of state and federally funded projects, the analysis required by this subparagraph need only contain information available on a statewide basis.

(B) The analysis shall estimate the total cost of producing new rental housing that is comparable in size and rent levels, to replace the units that could change from low-income use and an estimated cost of preserving the assisted housing developments. This cost analysis for replacement housing may be done aggregately for each five-year period and does not have to contain a project by project cost estimate.

(C) The analysis shall identify public and private nonprofit corporations known to the local government which have legal and managerial capacity to acquire and manage these housing developments.

(D) The analysis shall identify and consider the use of all federal, state, and local financing and subsidy programs which can be used to preserve, for lower income households, the assisted housing developments, identified in this paragraph, including, but not limited to, federal Community Development Block Grant Program funds, tax increment funds received by a redevelopment agency of the community, and administrative fees received by a housing authority operating within the community. In considering the use of these financing and subsidy programs, the analysis shall identify the amount of funds under each available program which have not been legally obligated for other purposes and which could be available for use in preserving assisted housing developments."

Section 65583(b) now reads:

"A statement of the community's goals, quantified objectives, and policies relative to the maintenance, preservation, improvement, and development of housing." (emphasis added)

The housing program requirements were amended to include:

"Preserve for lower income households the assisted housing developments identified pursuant to paragraph (8) of subdivision (a). The program for preservation of the assisted housing developments shall utilize, to the extent necessary, all available federal, state, and local financing and subsidy programs identified in paragraph (8) of subdivision (a), except where a community has other urgent needs for which alternative funding sources are not available. The program may include strategies that involve local regulation and technical assistance."

With regard to time schedule:

"The analysis and program for preserving assisted housing development required by the amendments to this section enacted by the Statutes of 1989 shall be adopted as an *amendment* to the housing element by July 1, 1992." (emphasis added)

## ANALYSIS PERIOD

The City of Azusa adopted its current Housing Element in 1990. Pursuant to the required 10-year analysis period, this amendment has been divided to two, five year planning periods as follows:

- 1989 to 1994
- 1994 to 1999

## INVENTORY

According to State Department of Housing and Community Development, the inventory must identify projects with affordability controls, determine potential conversion dates, and compile information on those with conversion dates within the 10-year analysis period, by each 5-year period. The inventory should include all *multi-family rental units* which are assisted under any of the programs listed below:

1. HUD programs:

Section 8 Lower-Income Rental Assistance project-based programs:

New Construction  
Substantial or Moderate Rehabilitation  
Loan Management Set-Aside

Section 101 Rent Supplements  
Section 213 Ccooperative Housing Insurance  
Section 221(d)(3) Below-Market-Interest-Rate Mortgage Insurance  
Section 236 Interest Reduction Payment Program  
Section 202 Direct Loans for Elderly or Handicapped  
Community Development Block Grant Program

2. FmHA Section 515 Rural Rental Housing Loans
3. State and local multi-family revenue bond programs
4. Local redevelopment programs
5. Local in-lieu fee programs or inclusionary programs
6. Developments which obtained a density bonus and direct government assistance pursuant to Government Code Section 65916

Units assisted by the above programs and at-risk include those:

- Eligible to change to non-low-income housing uses due to termination of subsidy contract, mortgage prepayment, or expiring use restrictions; and
- Eligible within the ten-year period following the statutory adoption "due-date" of the housing element amendment.

Within the City of Azusa, there are currently four (4) projects with some form of governmental subsidy. The four projects are: Azusa Apartments; Alosta Gardens; Azusa Park Apartments; and Pacific Glen.

### HUD Projects

Three of the four projects identified as having units at risk of conversion are HUD subsidized projects. Table 1 below lists each of the projects.

**TABLE 1  
CITY OF AZUSA  
INVENTORY OF HUD SUBSIDIZED PROJECTS**

<b>Project Name</b>	<b>Project Type</b>	<b><u>Total Units</u></b>		<b><u>Earliest Conversion Date</u></b>	
		<b>FHA</b>	<b>Section 8</b>	<b>FHA</b>	<b>Section 8</b>
Azusa Apartments	Sec. 236	88	55	3/21/92	11/1/93
Alosta Gardens	Sec. 221	61	60	N/A	10/4/94
Azusa Park	Sec. 221	89	88	N/A	2/28/95

**Source:** California Housing Partnership Corporation, Inventory of Federally Subsidized Low-Income Rental Units at Risk of Conversion, 1991.

As of December 31, 1990, only one project, the Azusa Apartments, has filed a Notice of Intent (to be discussed later) to take action on their project.

### Revenue Bond Projects

Housing revenue bonds may be issued by cities, counties, redevelopment agencies or housing authorities for the financing of the development of multi-family rental units. These bonds are issued by public agencies on behalf of private developers and 501(c)(3), non-profit corporations to finance the development of apartment buildings where all or a portion of the units must be reserved for tenants of low- or moderate-income.

According to the 1991 annual summary of The Use of Housing Revenue Bond Proceeds, only one project was subsidized by County issued bonds. That project is the Pacific Glen project developed by Lincoln Properties. The date of the bond sale was January 9, 1985, and had a term of 20 years. Therefore, the conversion date is in the year 2005 and not eligible for conversion during the ten year planning period associated with this Housing Element Amendment.

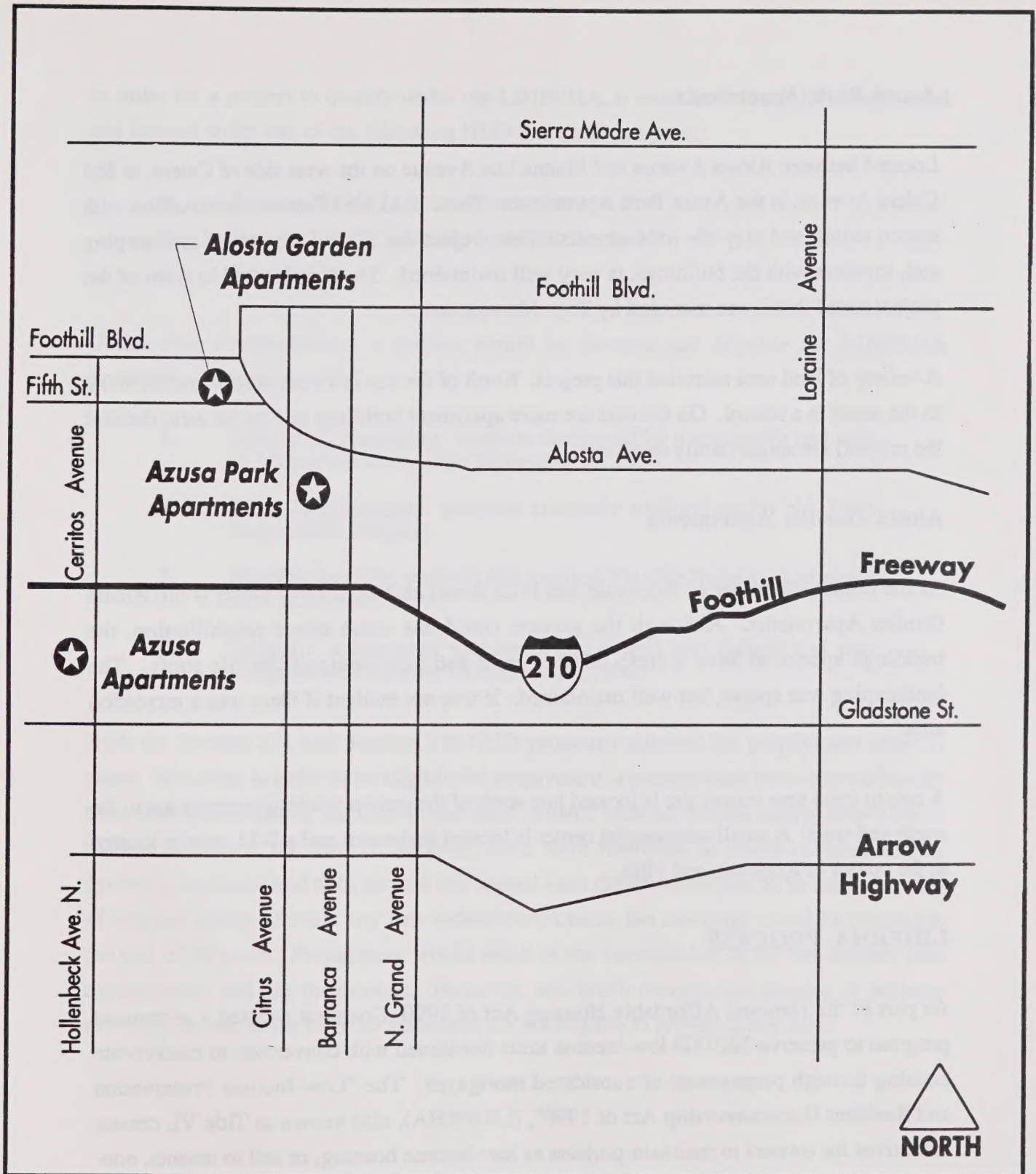
## **PROJECT CONDITIONS**

The three apartment projects identified as being at-risk are: the Azusa Apartments; the Azusa Park Apartments; and the Alosta Garden Apartments. All of the projects are geographically located in the southeastern corner of the City. The Azusa Apartments are located in census tract 4043 and the Azusa Park and Alosta Gardens are located in census tract 4042. Exhibit 1 shows the location of the three projects. A "windshield survey" was conducted of each of the projects to determine the exterior condition. The survey data are summarized below.

### **Azusa Apartments**

The Azusa Apartments are located on the west side of Cerritos Avenue, between Gladstone and the 210 Freeway at 805 South Cerritos Avenue. Although these are older buildings, they are maintained in good condition. However, the garage structure could use minor rehabilitation. The landscaping is lush and well maintained. The sign located in front displayed the fair housing emblem.

The surrounding land uses to the north, east and west are predominantly single family residential, while another apartment building is located to the south.



Location of At-Risk Units  
**City of Azusa**

### **Azusa Park Apartments**

Located between Alosta Avenue and Mauna Loa Avenue on the west side of Calera, at 365 Calera Avenue, is the Azusa Park Apartments. These units are of newer construction with stucco siding and clay tile roof accents. This project has a good amount of landscaping and, together with the buildings, is very well maintained. The sign located in front of the project stated that it was managed by Topa Management.

A variety of land uses surround this project. North of the site is a commercial center, while to the south is a school. On the east are more apartment buildings and to the west (behind the project) are single family dwellings.

### **Alosta Garden Apartments**

At the northwest corner of Rockvale and Fifth Street at 745 E. Fifth Street is the Alosta Garden Apartments. Although the garages could use some minor rehabilitation, the buildings appear to have a fresh coat of paint and new composition tile roofs. The landscaping was sparse, but well maintained. It was not evident if there was a recreation area.

A two to three acre vacant site is located just north of the project while apartments are to the south and west. A small commercial center is located to the east and a 7-11 store is located at the corner of Rockvale and Fifth.

### **LIHPRHA PROCESS**

As part of the National Affordable Housing Act of 1990, Congress enacted a permanent program to preserve 360,000 low-income units threatened with conversion to market-rate housing through prepayment of subsidized mortgages. The "Low-Income Preservation and Resident Homeownership Act of 1990", (LIHPRHA), also known as Title VI, creates incentives for owners to maintain projects as low-income housing, or sell to tenants, non-profit organizations or government agencies. The information below is a summary of the Act as contained in: Code of Federal Register, Vol. 57 No. 68, Rules and Regulations. Sections 248.01 through 248.233, pages 12042 through 12060. March 6, 1992, Jack Kemp, Secretary.

In order for a project to qualify under the LIHPRHA, it must be limited dividend owned and insured under one of the following HUD mortgage programs:

- Section 221(d)(3) Below Market Interest Rate
- Section 221(d)(3) Market Rate with Section 8
- Section 236

Under four circumstances, a project would be deemed *not eligible* for LIHPRHA incentives. The criteria are:

1. Non-profit ownership: projects developed by a non-profit and sold to a for-profit entity after September 15, 1980.
2. Rent Supplement: projects currently assisted under the Rent Supplement Program.
3. Flexible Subsidy: projects that received Flexible Subsidy Assistance after December, 1979.
4. Default: a mortgage that continued or fell into default and was assigned to HUD after November 28, 1990.

Both the Section 221 and Section 236 HUD programs allowed for prepayment after 20 years. However, in order to be eligible for prepayment, a project must have operated under three restrictions during the term of the loan: tenants must have been below 80%-95% of median income at the time of move-in, rents were restricted to levels required to pay operating expenses and debt service and annual cash distributions had to be limited to 6% of original equity. Absent any new federal restrictions, the mortgage could be prepaid at the end of 20 years. Prepayment would result in the cancellation of all low-income rent requirements and use restrictions. However, non-profit owners and owners of projects receiving certain forms of HUD assistance are not eligible to prepay at any time.

## **Notice of Intent**

Under the Act, an owner may file a first Notice of Intent to pre-pay the mortgage up to two years prior to the scheduled prepayment date. In addition to filing the Notice of Intent with the Chief Executive Officer of the appropriate state or local government official (City Manager), the owner must deliver a copy of the Notice to each occupied unit, and to tenant representatives, if any, and post a copy of the notice in readily accessible locations within each affected building. A sample of Notice of Intent is provided on the following page.

The copies of the Notice of Intent delivered to the tenants and the tenant representatives must include a summary of possible outcomes of the filing which is furnished by the Commissioner (HUD). In the event a unit is occupied by a non-English speaking tenant, the owner is responsible for a certain number and type of translations needed and may request the local HUD field office to provide the appropriate translations. The owner must then deliver a copy of the translated Notice to all tenants who request such translation. However, the failure of an owner to comply with any non-federal notice requirement will not invalidate the Notice of Intent. After six months, the Commissioner provides the owner with a description of the criteria for the termination of the use restrictions. This information also outlines the process for developing a Plan of Action. If, after receiving this information, the owner wishes to transfer the property, he must submit a second notice of intent within 30 days or the first notice of intent becomes null and void.

**Initial Notice of Intent  
To Terminate or Extend Low -Income  
Affordability Restrictions**

(Pursuant to Section 212 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990)

U. S. Department of Housing  
and Urban Development  
Office of Housing  
Federal Housing Commissioner



OMB Approval No. 2502-0459

Public reporting burden for this collection of information is estimated to average 2.0 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0459), Washington, D.C. 20503. Do not send this completed form to either of these addressees.

This Notice must be filed simultaneously with (1) the local HUD Field Office, (2) the chief executive officer of the appropriate State or local government, (3) the mortgagee, (4) tenants of the property, and (5) all known representatives of the tenants.

1. Date of this Notice \_\_\_\_\_
2. Purpose of this Notice (Check one):
  - ☐ Extend the low income affordability restrictions by requesting incentives; or
  - ☐ Offer to Sell the housing to a qualified purchaser.
  - ☐ Terminate the low income affordability restrictions through prepayment of the mortgage or voluntary termination of the mortgage insurance;
3. Borrower and Project Information:
  - a. Borrower Entity \_\_\_\_\_
  - b. FHA Project Number \_\_\_\_\_
  - c. State Agency Project Number (If project is Section 236 non-insured.) \_\_\_\_\_
  - d. Project Name \_\_\_\_\_
  - e. Project Address (Include City, State, and Zip Code) \_\_\_\_\_  
\_\_\_\_\_
  - f. Date of Final Endorsement \_\_\_\_\_
4. Name of Mortgagee \_\_\_\_\_
5. Name of State or local Agency Receiving this Notice Of Intent \_\_\_\_\_
6. Owner's Certification

I, the undersigned, certify that this Notice of Intent has been submitted and distributed in accordance with the requirements of the statute as specified above.

☐ I certify that I know of no tenant representative.

Under the penalties and provision of Title 18, United States Code, Section 1001, the statements contained in the request and its attachments have been examined by me and, to the best of my knowledge and belief are true, correct, and complete.

Signature (Owner) \_\_\_\_\_ Date \_\_\_\_\_

Name (Owner) \_\_\_\_\_

Address (Include City, State, and Zip Code) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

.....

## Residents

Important Information about this Notice of Intent is on the back of this form.

## Valuation

After the owner files the Notice of Intent, both HUD and the owner commission separate appraisals. A third appraisal may be necessary if the first two cannot be reconciled. The appraisal determines the project's "Preservation Value", which is essentially the fair market (unrestricted) value of the project as residential rental property, as well as the highest and best use value of property, if different. The appraisal discounts for the costs of conversion to market-rate housing or other uses, including capital improvements. A detail of the appraisal process is shown in Chart 1.

From the Preservation Value, HUD determines an owners' equity, and calculates the rents necessary to provide an owner with an 8% annual return on this equity. If HUD can provide the owner with this return, without exceeding the federal cost limits, the owner can not prepay the mortgage.

## CHART 1 APPRAISAL AND CAPITAL NEEDS ASSESSMENT UNDER LIHPRHA

### Appraisal

Extension Preservation Value: Value as an unsubsidized market-rate multi-family rental property.

Transfer Preservation Value: "Highest and best use"

#### Deductions:

- All improvement and repair costs to attract market-rate tenants
- Other conversion costs

### Appraisal Timeline

#### Within 30 days of initial Notice of Intent

- HUD issues appraisal requirements to owner

#### Within 60 days of initial Notice of Intent

- Joint Inspection — Capital Needs Assessment
- HUD provides appraisers with list of required repairs/costs

#### Within 4 months of initial Notice of Intent

- HUD and owner complete appraisals

#### Within 5 months of initial Notice of Intent

- HUD and owner review and try to reconcile appraisals

#### Within 6 months of initial Notice of Intent

(If appraisals agree)

- HUD determines Preservation Values, Preservation Rents, Equity, and Federal Cost Limits

#### (If Appraisals Disagree)

#### Within 7 months of initial Notice of Intent

- Owner selects third appraiser

#### Within 8 months of initial Notice of Intent

- Third appraisal is conducted, reviewed and accepted by HUD

#### Within 9 months of initial Notice of Intent

- HUD determines Preservation Values, Preservation Rents, Equity, and Federal Cost Limits

**Source:** Appraisal Guidelines (Pre-Publication Copy, 3/3/92); LIHPRHA Handbook, 3/92.

## Plan of Action

According to Federal law, the Plan of Action is “a plan providing for the termination of the low income affordability restrictions on the project through prepayment of the mortgage or voluntary termination of the insurance contract, for extension of the low income affordability restrictions on the project, or for the transfer of the project to a qualified purchaser”. If an owner seeks to terminate a project’s low income affordability restrictions through prepayment of the mortgage or voluntary termination, or to stay with incentives, the owner must submit the Plan of Action within six months of the date that the Commissioner provided criteria for terminating the use restrictions.

An owner seeking to terminate the low income affordability restrictions, must submit the Plan to the Commissioner. Simultaneously, the Plan must be submitted with the local governmental agency, which shall review the Plan and advise tenants of the project of any programs available to assist them. In addition to these submittals, the owner must notify the tenants of the Plan by posting in each occupied building, a summary of the Plan, and deliver a copy to the tenant representative(s), if any.

If the Plan of Action proposes to terminate the low income affordability restrictions through prepayment or voluntary termination, it must include the following:

1. A description of any proposed changes in the status or terms of the mortgage or regulatory agreement.
2. A description of any proposed changes in the low income affordability restrictions.
3. A description of any changes in ownership that is related to prepayment or voluntary termination.
4. An assessment of the effect of the proposed changes on existing tenants.
5. An analysis of the effects of the proposed changes on the supply of housing affordable to low and very low income families or persons in the community within which the project is located and in the area that the housing could reasonably be expected to serve.
6. A list of any waivers requested by the owner.
7. Any other information that the Commissioner determines is necessary.

If the Plan of Action proposes to extend the affordability restrictions, or to transfer the project to a qualified purchaser, it must include the following:

1. A description of any proposed changes in the status or terms of the mortgage or regulatory agreement.
2. A description of the Federal incentives requested, including cash flow projection and analyses of how the owner will address any physical or financial deficiencies and maintain the low income affordability restrictions of the project.
3. A description of any assistance from State or local governmental agencies, including low income housing tax credits.
4. A description of any transfer of the property, including the identity of the transferee and a copy of any document of sale.
5. An income profile of the tenants as of the date of submission of the plan.
6. A transfer of physical assets package, if a transfer is proposed.
7. A list of any waivers requested by the owner.
8. Any other information the Commissioner determines as necessary.

Once the Plan has been submitted, revisions are allowed if done within specific time frames. Upon submission, however, the tenants and the local government have 60 days to provide comments to the Commissioner. All comments will be considered by the Commissioner in rendering a decision on the plan, but in any case, not prior to the 60 days.

The criteria for approval of a plan involving prepayment or voluntary termination is outlined below:

1. The implementation of the plan will not —
  - Materially increase economic hardship for current tenants within parameters.
  - Involuntarily displace current tenants (except for good cause) where comparable and affordable housing is not readily available.

2. The supply of vacant, comparable housing is sufficient to ensure that such prepayment will not materially affect —
  - The availability of decent, safe and sanitary housing affordable to low income and very low income households that the project is reasonably expected to serve.
  - The ability of of low income and very low income households to find affordable, decent, safe and sanitary housing near employment opportunities.
  - The housing opportunities of minorities in the community within which the project is located.
3. There are no open audit findings of non compliance with Fair Housing Laws (e.g., the Civil Rights Act, the Fair Housing Act, etc.).

The Commissioner may also approve a plan that involves extension of the restrictions or a transfer of the project to a qualified purchaser, other than a resident council, under the criteria outlined below:

1. The incentives set forth in the plan are the least costly for the Federal Government.
2. The project will maintain as affordable to very low and low income households.
3. That the owner makes adequate expenditures for maintenance and operation throughout its useful life.
4. Current tenants will not be involuntarily displaced, except for good cause.
5. Any increase in rents for current tenants will be to a level that does not exceed 30% of the adjusted income of the tenant, or the FMR, which ever is lower.
6. Any increases in rent for current tenants (except for increases made necessary by increases in operation costs) must be phased in accordance with Federal Law.
7. Section 8 assistance will be provided if necessary to mitigate any adverse affects on very low and low income households.
8. Rents for units becoming available to new tenants must be at levels approved by the Commissioner.

9. Future rent adjustments must be:
  - Made by applying an annual factor as determined by the Commissioner.
  - Subject to a procedure to be determined by the Commissioner, rents may be increased above that allowed by the factor, under a finding of extraordinary expenses for maintenance of the project.
10. Any savings from reductions in operating expenses due to management efficiencies must be deposited and subject to strict access by the owner as determined by the Commissioner.
11. The mortgage on the project must be current.
12. There are no open audit findings of non compliance with fair housing laws.

## Sale

Once the valuation has been determined, and if HUD can not provide the owner with the 8% return, the owner may prepay only after offering the property for sale to a non profit entity, tenants or public body for 12 months, and other qualified buyers for the next three months, regardless of whether the owner wishes to sell. The procedure for the sale is as follows:

- ✓ Months 1-6: *"Preferred" Priority Purchasers* — owner may only accept a bona fide offer from a resident council or community-based non profit organization which has support of a majority of the tenants. The owner is not obligated to accept the offer.
- ✓ Months 7-12: *Priority Purchasers* — owner may accept bona fide offer from any priority purchaser including, a resident council, any qualified non profit organization, or government body.
- ✓ Months 13-15: *Qualified Purchasers* — owner may accept a bona fide offer from any qualified purchaser, including any entity that agrees to long term use restrictions, so long as it is not a related party to the owner.

In order to be considered a community-based, non profit organization, it must meet the following criteria:

- ✓ Maintain 1/2 of its board as low-income neighborhood residents, other low income community residents, or elected representatives of low-income neighborhood organizations. "Community" is defined broadly.
- ✓ Provide a formal process for low income program beneficiaries to advise on decisions regarding acquisition, rehabilitation and management.
- ✓ Adhere to the standard requirements for incorporation and tax exempt filing.

If no bona fide offer is made during the 15 months period, the owner may prepay. In the event of a sale, or prepayment by the owner, the tenants are protected. The following protection is offered to tenants in the event of a sale:

- ✓ Section 8 certificates or vouchers are made available to households with income levels at or below 80% of the median income. The owner may not refuse the Section 8 certificates.
- ✓ FMR's may be increased to exception levels to assist tenants in using certificates/vouchers to remain in their project.
- ✓ The owner must notify HUD of all tenants who will be displaced, specifically identifying elderly, handicapped and large households.
- ✓ HUD will provide relocation assistance.
- ✓ The owner must pay 50% of relocation expenses (unless State or local agencies require more).
- ✓ Tenants may remain at the current rent levels for three years with normal increases permitted.
- ✓ The owner may offer the family a comparable unit in another project for a three year period.

## COST ANALYSIS

Section 65583(a)(8)(B) requires an analysis of:

- The cost of producing new rental housing comparable in size and rent levels to replace the units which could convert.
- The cost of preserving all the developments at risk of converting.

These costs can be estimated on an aggregate basis for each of two five-year periods. According to HCD, if it is not possible to estimate preservation costs directly, it is permissible to describe whether such costs are anticipated to be higher or lower than replacement estimates, and for what reason, as well as the magnitude of the difference in estimates.

The purpose of the cost analysis is to compare costs of available options, and for estimating the need and extent of any local subsidies. The cost analysis is also used to develop appropriate program resources to preserve units at risk of conversion. If, for example, the City were to consider issuing revenue bonds to acquire or rehabilitate these at-risk units, the cost analysis can help estimate the amount of funding needed.

For units at risk of conversion that are HUD assisted projects being processed under ELIHPA or eligible for LIHPRHA, most assistance necessary to preserve these units is available from the federal government. The options to preserve these units are either to maintain the same ownership with incentives, or an acquisition of the project by an entity that will maintain the low income use restriction.

However, certain types of expenses and expenses for certain types of project will not be fully covered by federal funds and there may be a need for local funds. In cases where the owner desires to continue ownership with additional incentives, local funds might involve additional funds needed for project rehabilitation above what would be covered by the federal incentives. Potential uncovered expenses for project involving nonprofit or public entity-acquisition include the following:

- Predevelopment expenses, including earnest money deposits;
- Resident education and/or organizing for property purchase;
- 5% equity contribution; and
- Rehabilitation expenses exceeding the standard covered by HUD.

There also could possibly be demand for additional local funds associated with projects which may be processed during a period in which federal incentives are insufficient for the number of applications received by HUD.

### **Replacement Cost Estimates**

The three "at-risk" projects are family projects. The 238 housing units consist of: 8 1-bedroom units; 139 2-bedroom units; 83 3-bedroom units; and 8 4-bedroom units.

For the replacement housing cost analysis, it was assumed that the three projects could be developed to accommodate the family needs at one site. Several other assumptions had to be made to establish a basis for computing development replacement costs: unit sizes; income groups served; rent structure; residential density; and land acquisition costs.

With regard to "unit sizes", the replacement cost analysis assumed the following:

- 1-Bedroom — 650 square feet
- 2-Bedroom — 800 square feet
- 3-Bedroom — 950 square feet
- 4-Bedroom — 1,100 square feet

Section 8 rental assistance payments are connected to all three projects. Therefore, all households are assumed to have annual incomes that place them in the very low income bracket. The rent structure is based on the maximum rents that can be charged for housing units assisted by the Federal Low Income Housing Tax Credit Program. This program is a major resource contributing to the economic feasibility of developing new housing for very low income households.

Residential densities for new replacement housing were set at 24 dus/ac because the project would serve families. Therefore, the acreage requirements would be about 10 acres to accommodate 238 housing units.

Land value for the hypothetical 10-acre site were assumed to be \$300,000 per acre or \$12,500 per unit. Thus, the total land costs are estimated to be \$3 million.

A preliminary financial analysis of the replacement housing development is contained in Chart 2. The Chart shows the proforma cash flow statement and sources of funds. An explanation of the entries in the financial analysis is provided in the two-page Chart 3.

**Azusa Affordable Family Housing Development**  
**Tax Credit Taxable Financing Using Non-Profit Ownership**  
**PRELIMINARY FINANCIAL ANALYSIS**

For Discussion Purposes Only

15-Dec-92

**PROFORMA CASH FLOW STATEMENT**

Plan Unit Type	Units	SF	Total SF	Rent	Annual Rent
A 1BR @ 50%	8	650	5,200	\$394.00	\$37,824
B 2BR @ 50%	139	800	111,200	\$469.00	\$782,292
C 3 BR @ 50%	83	950	78,850	\$540.00	\$537,840
D 4BR @ 50%	8	1,100	8,800	\$591.00	\$56,736
Common Area			12,520		
<b>Totals</b>	<b>238</b>		<b>216,570</b>		
Gross Income					1,414,692
Other Income					14,280
Vacancy @ 4%					(57,159)
Effective Gross Income					1,371,813
Operating Expenses (excluding RE Taxes & Reserves)					(428,400)
Replacement Reserve					(64,971)
Real Estate Taxes					(19,614)
Total Operating Expenses					(512,985)
NET OPERATING INCOME					\$858,828
Debt Service @ 9% 30 Yr Am					780,753
Debt Service Coverage					1.10
Operating Expenses per Unit (Including Taxes & Reserves)					(2,155)
Operating expense ratio					37.39%
Redevelopment Annual Pledge					326,089
SIZE OF INCOME MORTGAGE					\$8,086,116
SIZE OF TOTAL FIRST MORTGAGE					\$11,156,338
SIZE OF CONSTRUCTION LOAN					\$16,237,540

**SOURCES OF FUNDS:**

First Mortgage Financing	56.88%	11,156,338
Tax Credit Sale Proceeds @ \$.45	43.12%	8,457,916
<b>Total Sources of Funds</b>		<b>\$19,614,254</b>

**USES OF FUNDS:**

Land Acquisition and Carrying Cost	1,000,000
Architecture & Engineering	324,855
Building Permits & Local Fees	1,190,000
New Construction @ \$50 per GSF	10,828,500
Appraisal & Toxic Report	7,500
Taxes during Construction	34,500
Escrow, Title Insurance & Recording	15,000
Rent-Up Expense	353,673
Marketing	25,000
Sponsor Overhead	691,769
Developer Fee	980,457
Consulting Fees	391,815
Syndication Fees	25,000
Accountant	2,500
Tax Credit Application Fee	143,664
Construction Interest @ 10% - 12 Months	974,252
Construction Loan Points - 2%	324,751
Permanent Loan Points - 2.25%	251,018
Contingency	50,000
<b>Total Uses of Funds</b>	<b>\$19,614,254</b>

**CHART 3**  
**CITY OF AZUSA**  
**FAMILY PROJECT PRO-FORMA CASH FLOW STATEMENT**

**Bedroom Mix:** The bedroom mix consists of one, two, three and four-bedroom units. The mix is identical to the three family projects included in Azusa's inventory consisting of 238 housing units.

**Monthly Rent:** The monthly rents correspond to those affordable to very low income households, adjusted by bedroom size. The very low income limits were chosen because 203 of the 238 units currently receive Section 8 rental assistance.

**Common Area:** The common area equals about 10% of the total square footage in the family housing development. The common area accounts for walls, hallways, laundry rooms and entryways.

**Other Income:** This component includes laundry income based on \$5 per month per unit ( $238 \times \$5 \times 12 = \$14,280$ ).

**Vacancy:** To assist in quantifying the "net operating income", it is necessary to deduct income not gained due to the vacant units. The 4% vacancy allowance is a rule-of-thumb that meets most lenders criteria.

**Operating Expenses:** This estimate is based on actual costs rather than as a percent of gross income. The per unit operating costs per year equal \$1,800. The components of operating costs include the following:

- *General Administrative:* advertising and promotion; legal; accounting/audit; security; and general office.
- *Utilities:* electricity; gas; trash; water; and sewer.
- *Payroll:* payroll; payroll leasing; and payroll taxes and fringe.
- *Maintenance:* painting; repairs; exterminating; grounds; elevator; and other.

**Replacement Reserve:** This estimate is based upon .6 of 1% of the hard construction costs (i.e., architecture/engineering + development impact fees + construction). This estimate meets the HUD and CHFA guidelines for calculating replacement reserves. Some lenders require the replacement reserve to be impounded.

**Real Estate Taxes:** The real estate taxes are based on the assumption that the project would be owned by a for-profit housing corporation.

**Net Operating Income:** The NOI equals gross income + other income minus vacancy loss, operating expenses, replacement reserve and real estate taxes.

**CHART 3 CONTINUED**  
**CITY OF AZUSA**  
**FAMILY PROJECT PRO-FORMA CASH FLOW STATEMENT**

**Debt Service Coverage:** The ratio of 1.10 is applied to the net operating income to compute the annual income that could be applied to service a first mortgage loan. The debt coverage service ratio is based upon the standard applied by the Savings Association Mortgage Company, Inc. (SAMCO), a corporation formed to assist in creating and financing affordable housing.

**Redevelopment Annual Pledge:** The amount that the Redevelopment Agency would need to contribute to bridge the gap between the project costs and size of the mortgage that could be supported by the rents paid by residents.

**Size of Income Mortgage:** The mortgage amount is computed on the basis of the amount that can be contributed to debt service (\$781,560), with a term of 30 years at an interest rate of 9%.

**CHART 4**  
**CITY OF AZUSA**  
**FAMILY PROJECT SOURCES AND USES OF FUNDS**

**Sources of Funds:** The total development costs for the hypothetical project equals \$19,455,831. Given the affordable rent levels and all the other factors considered in the financial analysis, a first mortgage of \$11,080,729 can be supported assuming an annual pledge by the Redevelopment Agency.

**Land Acquisition:** The land costs are based on the assumption of \$300,000 per acre and a density of 24 dus/ac. Thus, about 10 acres of land are needed ( $10 \times \$300,000 = \$3,000,000$ ).

**Architecture/Engineering:** The estimate is calculated at 1.65% of the total development costs for the project. The A/E costs can be as high as 2-4% but vary depending on the complexity of the site and physical conditions.

**Building Permits & Local Fees:** The total fee figure is an estimate and is \$5,000 on a per unit basis. The school impact fees alone would be \$338,335 (\$1.58 per square foot  $\times$  214,136 square feet).

**Construction Costs:** The estimate of \$50/sq. ft. was applied to the gross square footage (214,136) to determine total construction costs. These costs were confirmed by a large-scale contractor.

**Appraisal:** Usually an appraisal may cost between \$3,500 to \$15,000. The \$7,500 entry is an estimate of what may be the costs. (If several developments were built then the costs would be higher.)

**Taxes:** The estimate represents an allowance for this cost factor. During the construction phase, property taxes must be paid on the land.

**Escrow, Title Insurance and Recording:** The estimate is an allowance for these costs incurred during the development phase.

**Rent-Up Account:** The estimate is calculated at 15% of the first year's gross income. The rent-up account represents the amount needed to cover fixed and variable operating expenses prior to full occupancy. The 15% standard is based on CHFA guidelines.

**Marketing:** The estimate is an allowance for this cost factor. The marketing costs encompass brochures, furnishing of a unit, advertising and personnel.

**CHART 4 CONTINUED**  
**CITY OF AZUSA**  
**FAMILY PROJECT SOURCES AND USES OF FUNDS**

**Construction Interest:** The criteria for this cost factor is 10% for 12 months on an average of 60% of the loan outstanding. The assumption is that the construction loan is no larger than the first mortgage.

**Construction Loan Points:** This estimate is based on 2% of the first mortgage amount.

**Permanent Loan Points:** This estimate is based on 2% of the first mortgage amount.

**Other Financing Costs:** The estimate is an allowance for this cost factor.

**Contingency:** The estimate is an allowance for this cost factor.

## Preservation Costs

The costs of preservation are estimated on the basis of providing continued affordable housing for affected tenants in the existing stock. The "cost of preservation" would depend primarily on the difference between restricted and market rents. The monthly rents of the three projects are based on 30% of the very low income tenants income. These rents are adjusted for household sizes and based on the median income of Los Angeles County (May 1992).

<u>Persons</u>	<u>Annual Income</u>	<u>Monthly Rent</u>
2	\$18,750	\$469
3	\$21,100	\$527
4	\$23,450	\$586

A survey of apartments (excluding the three "at-risk" projects) was conducted during November 1992 to ascertain market rental rates. The results are summarized in Table 2.

**TABLE 2  
CITY OF AZUSA  
MONTHLY APARTMENT RENTS**

<u>Monthly Rent</u>	<u>Studio</u>	<u>1-Bdrm.</u>	<u>2-Bdrm.</u>	<u>3-Bdrm.</u>	<u>Total</u>	<u>Distribution</u>
\$400 - \$499	102	220	----	----	322	14.7%
\$500 - \$599	35	498	40	----	573	26.2%
\$600 - \$699	----	254	338	----	592	27.1%
\$700 - \$799	----	172	204	34	410	18.7%
\$800 - \$899	----	----	284	6	290	13.3%
<b>Total:</b>	<b>137</b>	<b>1,144</b>	<b>866</b>	<b>40</b>	<b>2,187</b>	
<b>Percentage:</b>	<b>6.3%</b>	<b>52.3%</b>	<b>39.6%</b>	<b>1.8%</b>		<b>100.0%</b>

**Source:** Apartment Rental Survey conducted by Castañeda & Associates, November 1992.

A total of 238 very low income households are currently being assisted in the three at-risk developments. As noted in Table 2, more than one-half of the City's housing stock have monthly rents in the \$500 to \$699 range. The actual incomes of the residents residing in the assisted developments is unknown. It is assumed that a \$250 rental assistance payment would be necessary to bridge the affordability gap. Therefore, an annual rental assistance payment of \$714,000 would be needed to preserve the existing rents of the tenants ( $238 \times \$250 = \$59,500 \times 12 = \$714,000$ ).

### **Cost Comparisons**

It is estimated that \$714,000 is needed to bridge the affordability gap and preserve low rents in existing units for current tenants. The replacement cost analysis reveals that an annual pledge from the Redevelopment Agency of \$326,000 is necessary in a new development. Therefore, the development of a new project is less costly than a preservation alternative. Both alternatives, however, are expensive and use a considerable percentage of the Agency's 20% set-aside fund.

## RESOURCES FOR PRESERVATION

Two types of resources are to be considered for preserving at-risk units, according to the State Department of Housing and Community Development.

- Public agencies and nonprofit housing corporations; and
- Public financing/subsidy programs.

The housing element, according to HCD, should identify public and private nonprofit corporations which have legal and managerial capacity to acquire and manage assisted housing developments. Redevelopment agencies and housing authorities should also be considered. This analysis should not merely list nonprofit housing developers in the area; their inclusion should be based on their expression of interest (in response to a locality's inquiry) in acquiring and managing such projects.

Secondly, the element must identify and consider all federal, State and local financing and subsidy programs which can be used to preserve assisted projects for low-income use. Financing sources required by statute to be considered in the housing element include, but are not limited to the following:

- Community Development Block Grant Program (CDBG) funds;
- Redevelopment agency tax increment funds, including, but not limited to, Low and Moderate Income Housing Funds; and
- Administrative fees (reserves) of any housing authority operating within the community.

## Public Agencies and Nonprofit Corporations

According to State housing law, the analysis of existing assisted developments must “identify public and private non-profit corporations known to the local government which have legal and managerial capacity to acquire and manage these housing developments”. The State HCD has compiled a list of entities interested in a “right of first refusal” in connection with the possible acquisition of assisted housing projects. The entities that have expressed an interest in Los Angeles County properties are listed below:

- Inglewood Housing Authority
- Korean Youth Center
- Skid Row Housing Trust
- Pasadena Housing Alliance
- LB Housing Development Company, Community Development Dept.
- Pomona Community Development Dept., Housing & Grant Division
- Foundation for Social Resources, Inc.
- Twelve Pack Enterprises
- Community Corporation of Santa Monica
- Concerned Citizens/South Central Los Angeles
- HomeAid
- Southern California Presbyterian Homes
- Inglewood Neighborhood Housing Services
- Community Development Commission
- West Hollywood Community Housing Corporation
- Fame Housing Corporation
- Ralph F. Carrico
- Legal Aid Foundation of Los Angeles
- Los Angeles Community Design Center
- Curry Temple Community Development Corporation

Based on this list of interested entities, the City believes that there are non-profit corporations which have the legal and managerial capacity to acquire and manage, if needed, at-risk projects located in Azusa. The City will maintain and update the “right of first refusal” list as information is received from HCD.

## **Public Financing/Subsidy Programs**

### **Community Development Block Grant Funds**

**TO BE ADDED FOLLOWING INPUT FROM ROBB STEELE**

### **Redevelopment Agency Tax Increment Funds for Low and Moderate Income Housing**

State law requires redevelopment agencies to set aside at least 20% of tax increment revenues for increasing and improving the community's supply of low and moderate income housing, unless findings are made to exempt a project from the requirement. The preservation of assisted housing at risk is an eligible use of 20% set-aside funds. State redevelopment law indicates a permitted use of the fund is: "Preserve the availability to lower income households of affordable housing units in housing developments which are assisted or subsidized by public entities and which are threatened with imminent conversion to market rates".

**TO BE ADDED FOLLOWING INPUT FROM ROBB STEELE**

## QUANTIFIED OBJECTIVES

Localities are required to establish in their housing element quantified objectives for the maximum number of housing units that can be constructed, rehabilitated and conserved over a five-year time frame. The objective for units to be conserved should include a subtotal for the number of at-risk units to be preserved over the five-year planning period. This preservation subtotal should be based on the number of units in the first five years of the 10-year inventory of at-risk units developed pursuant to Section 65583(a)(8)(A). Any difference between the number of units at risk during this five-year period and the preservation objective should be explained.

*The City's quantified objective is to preserve 88 units at risk by November 1, 1993. These units are located in the Azusa Apartment development, a Section 236 project.*

## PROGRAMS FOR PRESERVATION

According to HCD, the housing element should include programs to preserve the low-income use of at-risk projects listed in the 10-year inventory, with specific focus on units at risk during the five-year planning period. These efforts should use all financing sources identified earlier, except where the community has identified other (more) urgent needs for these funds. Programs might range from regulatory and technical assistance measures to providing direct loans or grants.

As with other housing element programs, preservation programs should be specific and concrete, indicating commitment by the locality to act. Each program should indicate a responsible party for implementation, and should include a timetable. Where units are currently at risk of conversion, the program timetable should be responsible to the particular situation.

## Programs

The "at-risk" housing programs to be implemented by the City of Azusa are described below. These programs are based on prototypical strategies described by the state Department of Housing and Community Development (refer to Attachment 1).

### Program 1 — Monitor At-Risk Projects:

*Action:* The City will contact the owners of the three assisted developments to determine if they plan to stay-in with incentives or sell to a priority purchaser. The purpose of the contact is to gain more detailed information on the owner's intent with regard to the assisted units as soon as possible.

*Responsible Agency:* The Community Development Department has contacted the owners. On-going coordination will continue with owners throughout the program implementation period.

*Time Schedule:* The contacts would be made by March 1993 and continue thereafter as needed between amendment adoption and June 1994.

*Funding Source:* The General Fund is the source for supporting the staff work involved in making the owner contacts.

### Program 2 — Housing Element Amendments:

*Action:* If the properties are to be offered for sale, the City will evaluate the appropriateness and/or necessity for incorporating two additional strategies suggested by HCD: a) provide tenant and community education; and b) assist nonprofits and other public entities. One project (Azusa Apartments) is eligible to terminate Section 8 rental assistance by November 1993.

*Responsible Agency:* The Community Development Department will be responsible for evaluating these two strategies and reporting to the City Council. (Refer to items #4 and #7 in the Attachment.)

*Time Schedule:* The evaluation of these two strategies will be started after contact has been made with the project owner. The evaluation should be commenced as soon as the City obtains information that the owner plans to sell the assisted project to a priority purchaser.

*Funding Source:* The General Fund will be the financing source for the staff work on the Housing Element Amendments.

### Program 3 — Gap Financing Assistance Program:

*Action:* The at-risk projects which may be sold to a priority purchaser may need funds in addition to the mandated federal funds. The priority purchaser should identify all sources of financing necessary to implement acquisition. There may be a need for gap financing that could be filled by local resources. The City will enact a program of "gap" financing with the use of the 20% set-aside fund in the event a need is identified.

*Responsible Agency:* The Community Development Department and Redevelopment Agency will be jointly responsible for completing the gap financing programs.

*Time Schedule:* The program will be prepared in conjunction with a Notice of Intent and Plans of Action.

*Funding Source:* The General Fund is the likely source for supporting the staff work on preparing the gap financing programs. The source of actual financial assistance likely would be the 20% set-aside.

### Program 4 — Expand Rental Housing Supply

*Action:* As part of the Housing Element update and 1994-1999 Housing Element, the City will facilitate the development of new rental housing. It is financially too difficult to meet the needs of very low and low income households with ownership housing. Therefore, the supply of new rental housing will need to be expanded in the future.

*Responsible Agency:* The Community Development Department will maintain an inventory of land suitable for rental housing development. The inventory will be included in the Housing Element update.

*Time Schedule:* On-going; formal inventories will be incorporated in the Housing Element.

*Funding Source:* The General Fund would be the source for funding the staff activities in compiling and maintaining the rental housing inventory.

## ATTACHMENT 1 LOCAL EFFORTS TO PRESERVE AT-RISK UNITS

### 1. Identify At-Risk Units

Identify all projects which are eligible to terminate affordability controls at some point. Establish a system for early identification of projects which appear most susceptible to conversion.

### 2. Complete Planning Documents and Assess Potential Conversion Impact

Complete housing element updates, Comprehensive Housing Affordability Strategies (CHAS), and other planning actions to prepare preservation strategies; this will also help the jurisdiction qualify or compete for State and federal funds. Information can be included in the housing element to substantiate the effect of conversion of affordable units on the housing opportunities for displaced tenants and the resulting economic impact.

### 3. Monitor At-Risk Units

Monitor and respond to any notice of intent required by Government Code Section 65863.10 or federal law, or plans of action which may be filed on local projects. Promptly send copies of notices received to HCD. Inform tenants of any assistance available, and ensure that the probable impact of any change in project controls is made clear to regulatory agencies (HUD, FmHA, other). It may be possible to negotiate extension of the phase-in-period (at least three years) for project rent increases.

### 4. Provide Tenant and Community Education

- Promote community awareness and initiatives by involving affected constituencies in assessing the preservation problem locally. Conduct educational workshops on the issue. Hold public hearings pursuant to Government Code Section 65863.10, or workshops on individuals projects subject to conversion, or the conversion issue.
- Educate tenants on the information required for legally-valid notices of intent and Plans of Action.

### 5. Adopt Preservation Incentives or Conversion Disincentives

- Provide tax or fee incentives/disincentives such as waiving particular fees in exchange for preservation commitment, or assessing a conversion "impact fee" or "in-lieu contribution".
- Adopt conversion protections, e.g., prohibit condominium conversion, one-for-one replacement of units for which affordability controls are converted to market rents, where not preempted by State or federal law.
- Require owners to provide relocation assistance for displaced tenants where not already required by federal, State or local statute.

- Review and revise local regulations on affordability controls for locally-subsidized housing to require preservation of units affordable to lower-income households for the remaining useful life of the building.
6. Submit Comments to HUD on Plans of Action Submitted by Owners
- Local government can submit comments to HUD for consideration regarding the conditions of approval of a Plan of Action (POA) for a project under ELIHPA. Copies of Plans of Action submitted under LIHPRHA are to be submitted to the local government (Section 217 of LIHPRHA) for the the local government to review and advise the tenants. The locality can also submit comments on the proposed POA and communicate its concerns to HUD throughout the application processing.
7. Assist Nonprofits and Other Public Entities
- Identify and assess the interest of potential “priority purchasers” (local public agencies, nonprofits, and resident councils of at-risk project(s) for specific projects, should they be offered for sale.
  - Bring together existing owners and potential nonprofit or other public entity buyers, or bring in technical assistance providers to act as brokers.
  - Finance buy-outs by nonprofits and other public entities through equity or gap financing, advancing purchase-option funds, carrying of second mortgages, interest write-downs, assurance of tax-exempt bonds for financing acquisitions, or rent reductions. There may be a need for local funds to supplement federally-provided incentives for Section 236 or Section 221(d)(3) projects exceeding the federal cost limits (pursuant to LIHPHRA), if HUD discretionary grants are unavailable or insufficient.
  - Provide grants or low-interest loans to at-risk projects in need of rehabilitation in exchange for extended affordability controls.
  - Provide grants and/or forgivable loans to potential purchasers to finance preliminary feasibility studies of acquisition or rehabilitation of projects whose owners desire to sell.
  - Provide financial relocation benefits for households dislocated from units with terminating affordability controls.
  - Provide “capacity-building” grants or direct technical assistance to create or strengthen tenant management groups and local nonprofits capable of acquiring and managing at-risk projects. Grants could also be provided for tenant education.
  - Where public acquisition on a permanent basis is not feasible, assist a public entity in purchasing a property offered for sale for temporary ownership, until a qualified long-term owner can be found.
8. Extend Use Restriction Term Through Refunding of Bond-Financed Projects
- Refinance projects financed with locally-issued mortgage revenue bond proceeds (optional bond refunding), extending the existing term of affordability controls.

9. Obtain Additional Section 8 Certificates or Vouchers

For non-federal properties with expiring use restrictions, obtain additional Section 8 certificates or vouchers for qualified tenants without them or use locally-generated funds for rent subsidies.

10. Support Additional Multi-Family Rental Housing

- Support efforts to maintain a healthy multi-family rental market, since the functioning of the local rental market affects the attractiveness of conversion. In tight rental markets, new multi-family development can ease upward pressure on local rents and abate appreciating market values of at-risk developments.
- Provide strong incentives for new low-income units pursuant to State Density Bonus Law (Government Code Section 65915).
- Acquire/rehabilitate existing units for which affordability controls are imposed.



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